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Crude oil prices under pressure on OPEC supply worries  
Weakness in US domestic demand to keep NG prices lower

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## CRUDE OIL PRICES UNDER PRESSURE ON OPEC SUPPLY WORRIES

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- ▲ WTI Crude oil prices have corrected from recent high and trading weak from the last three sessions in anticipation that OPEC may agree to increase global supply in a meeting this week. Also, Saudi Arabia will decide if it will end its voluntary 1.0 million BPD cut in crude production.
- ▲ However, Geopolitical risks in the Middle East are likely to keep oil prices firm. Israel said it launched missile strikes on Iranian targets in Syria over the weekend in retaliation for an Iranian attack on an Israeli cargo ship in the Gulf of Oman last week.
- ▲ Also, Crude oil prices are likely to find support from global PMI data which is indicating progress in energy demand from the corona hit economy. The US Feb ISM manufacturing index rose +2.1 to 60.8, against expectations of +0.2 to 58.9. The Eurozone Feb Markit manufacturing PMI was revised upward to 59.9 from the previously reported 57.7, the Japan Feb Jibun Bank manufacturing PMI was revised upward to 51.4 from the previously reported 50.6. However, the China Feb manufacturing PMI fell -0.7 to 50.6, against expectations of -0.3 to 51.0
- ▲ According to the CFTC Commitments of Traders report for the week ended February 23, net long for crude oil futures fell by 2,873 contracts to 5,11,840 for the week. Speculative long position sank by 14,214 contracts, while shorts declined by 11,341 contracts.
- ▲ Baker Hughes reported last Friday that active US oil rigs rose by +4 rigs in the week ended Feb 26 to a 9-3/4 month high of 309 rigs, well above August's 15-year low of 172 rigs.
- ▲ As per the last weekly EIA report, US crude oil inventories as of Feb 19 were +0.3% above the seasonal 5-year average, gasoline inventories were +0.8% above the 5-year average, and distillate inventories were +3.2% above the 5-year average. As per EIA, US crude oil production in the week ended Feb 19 fell -10.2% w/w to a 5-1/2 month low of 9.7 million BPD and is down by -3.4 million BPD (-26%) from last February's record-high of 13.1 million BPD.

### Outlook

- ▲ Crude oil prices are likely to find support near 50 days EMA at \$55.61 per barrel while key resistance levels are seen around \$62.38 and \$64.13 per barrel.

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## WEAKNESS IN US DOMESTIC DEMAND TO KEEP NG PRICES LOWER

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- ▲ Natural gas prices have shown a modest recovery after a sharp fall from the recent high of \$3.316 to an immediate low of \$2.697. Natural Gas April expiry contract is currently trading near \$2.784 with marginal gains from the last two trading session due to mixed weather forecasts.

- ▲ Weather data agency Maxar on Monday projected above-normal temperatures across most of the central and eastern US while below-normal temperatures are expected in the West and Southeast from March 6-10 and above-normal temperatures are seen for the eastern half of the U.S. from March 11-15.
- ▲ Weakness in US domestic demand is likely to keep Natural Gas prices under pressure. As per Bloomberg data, NG demand in the US on Monday fell -1.6% y/y to 81.7 bcf.
- ▲ However, Natural Gas prices are likely to find support from export demand, low production and higher electrify demand in the US. Gas flows on Monday to LNG export terminals were seen at 10.7 bcf, up +21% y/y. US electricity output in the week ended Feb 20 rose +12.1% y/y to 85,601 GWh (gigawatt hours). US gas production on Monday fell -3.4% y/y to 90.468 bcf/d.
- ▲ As per the last weekly EIA report, Natural Gas Inventories are down -11.7% y/y and are -7.7% below the 5-year average, the largest shortfall in 1-1/2 years.
- ▲ According to the CFTC Commitments of Traders report for the week ended February 23, net long for Natural Gas futures fell by 10,665 contracts to 28,110 for the week. Speculative long position sank by 15,122 contracts, while shorts declined by 4,457 contracts.
- ▲ Baker Hughes reported last Friday that the number of active US Natural Gas drilling rigs in the week ended Feb 26 rose +1 rig to 92 rigs and matched the 10-1/2 month high from Feb 5, moderately above the record low of 68 rigs posted in the week ended July 24 (data since 1987).

## Outlook

- ▲ Natural Gas April month expiry contract is likely to face stiff resistance near 20 days EMA at \$2.859 while immediate support levels are seen near \$2.685 and \$2.646

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